

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AEC-07 AID-05 CEA-01 CIAE-00 CIEP-02

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

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OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PRS-01 PA-02

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FM AMEMBASSY LIMA

TO AMEMBASSY CARACAS IMMEDIATE

INFO SECSTATE WASHDC PRIORITY 3677

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E.O. 11652: N/A

TAGS: PFOR, PE

SUBJECT: PERUVIAN MINISTERIAL TEAM VISITS VENEZUELA

REF: LIMA 0740

1. GENERAL JORGE FERNANDEZ MALDONADO, MINISTER OF ENGERGY AND MINES; GENERAL ANGEL DE LA FLOR, MINISTER OF FOREIGN AFFAIRS; GENERAL AMILCAR VARGAS GAVILANO, MINISTER OF ECONOMY AND FINANCE; AND GENERAL MARCO FERNANDEZ BACA, PRESIDENT OF PETROPERU, LEFT FOR CARACAS, VENEZUELA, JANUARY 28 FOR A FOUR-DAY VISIT, THE PRINCIPAL PURPOSE OF WHICH WILL BE TO DISCUSS VENEZUELAN SUPPLY OF CRUDE OIL TO PERU AND FINANCING FOR THE BAYOVAR PHOSPHATE PROJECT.

2. IN A BRIEF PRESS CONFERENCE BEFORE DEPARTING FOR CARACAS, MINISTER FERNANDEZ MALDONADO SAID THAT THE PRINCIPAL OBJECTIVE OF THE TRIP IS TO NEGOTIATE THE SUPPLY OF VENEZUELAN CRUDE TO PERU UNDER A DEFERRED PAYMENT SYSTEM, WHEREBY PERU WOULD PAY PART IN CASH (US DOLLARS) AND THE BALANCE IN PERUVIAN CRUDE STARTING IN 1977 WHEN
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IT IS EXPECTED THE TRANS-ANDEAN PIPELINE WILL BE IN

OPERATION. HE ADDED THAT DOMESTIC CONSUMPTION OF CRUDE IS INCREASING AND PERU WILL NEED TO IMPORT ABOUT 40,000 BPD. FOR THE 1975-76 PERIOD.

3. WITH RESPECT TO PHOSPHATE, MINISTER FERNANDEZ MALDONADO STATED THAT CONVERSATIONS WILL TAKE PLACE WITH THE ANDEAN DEVELOPMENT CORPORATION (CAF) FOR THE PURPOSE OF OBTAINING A \$17 MILLION LOAN TO FINANCE THE FIRST STAGE OF THE \$47 MILLION BAYOVAR PHOSPHATE PROJECT. HE SAID MINERO PERU HAS COMPLETED THE REQUIRED FEASIBILITY STUDIES AND THAT THE LOAN WOULD BE MADE THROUGH COFIDE, THE GOVERNMENT FINANCE CORPORATION. HE ADDED THAT COMPLETION OF BAYOVAR'S FIRST STAGE WILL ALLOW MINERO PERU TO PRODUCE ABOUT 800,000 METRIC TONS OF PHOSPHATE CONCENTRATES BY MID 1976. SAID THAT DISCUSSIONS WILL TAKE PLACE WITH THE VENEZUELAN GOVERNMENT ABOUT POSSIBLE COOPERATION IN THE PRODUCTION OF FERTILIZER IN PERU, ALTHOUGH HE EMPHASIZED THERE IS NO POSSIBILITY OF FORMING A PERUVIAN-VENEZUELAN BINATIONAL COMPANY FOR THIS PURPOSE SINCE LEGISLATION ENACTED BY THE REVOLUTIONARY GOVERNMENT RESERVES THE PRODUCTION OF FERTILIZER (AS A BASIC INDUSTRY) FOR THE STATE. "HOWEVER, WE WILL SEE WHAT ARRANGEMENT WE MIGHT MAKE TO ACHIEVE THIS COOPERATION."
BARNEBEY

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